

ANNUAL REPORT 2001



Crystal Clear Company

SHARP

INTRODUCTION

Sharp long ago adopted the business creed, "Sincerity and Creativity." Guided by this principle, our efforts over the years have gained the appreciation of and brought satisfaction to people around the world, and have contributed to the formation of a true global community. We also conduct our everyday business activities based on a managerial philosophy of expecting that all our collaborators and partners, including shareholders, customers, and employees, will prosper along with us.

Sharp considers passing profits on to our shareholders to be one of the most important issues facing management. Based on a foundation of ensuring consistent dividends that investors can count on and taking into account all the various factors reflected in corporate performance and fiscal status, we have implemented a program to pass profits on to our shareholders in the form of higher dividends or stock splits. In addition, internal reserve funds are provided for investment in facilities and equipment in areas of future growth, development of unique products and proprietary devices, overseas business expansion, and environmental protection measures. We are also promoting management policies that emphasize maintaining cash flow, and are responding to the expectations of our shareholders through a further strengthening of our management foundations.

CONSUMER/INFORMATION PRODUCTS

Audio-Visual Equipment

LCD televisions
LCD projectors
DVD players
LCD camcorders
MD players
Others

Home Appliances

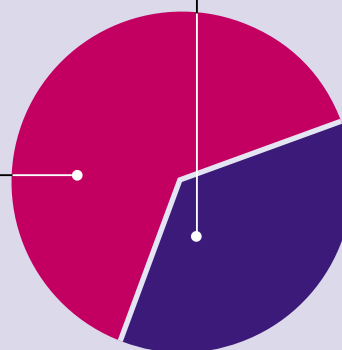
Air conditioners
Refrigerators
Microwave ovens
Washing machines
Others

Communication and Information Equipment

Mobile phones
Facsimiles
Personal information tools
Personal computers
LCD color monitors
Digital copier/printers
Others

ELECTRONIC COMPONENTS

Flash memory
CCD and CMOS imagers
LSIs for LCD
Color TFT LCD modules
Duty LCD modules
Laser diodes, hologram lasers
Satellite broadcasting components
RF and infrared data communication units
Solar cells
Others



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NOTES REGARDING FUTURE PLANS AND ESTIMATES

This annual report contains statements describing future plans, strategies, and estimated performance. These descriptions are based not on past facts, but on the management's assumptions and beliefs in light of the information currently available. These plans, strategies, and performance estimates are subject to a certain amount of risk and uncertainty due to such factors as economic changes, supply-demand fluctuations, increased competition, currency exchange rates, and changes in tax laws. Please understand that actual business results may vary from our estimates.

FINANCIAL HIGHLIGHTS

Sharp Corporation and Consolidated Subsidiaries Years ended March 31

	Yen (millions)					U.S. Dollars (thousands)
	1997	1998	1999	2000	2001	2001
Net Sales	¥1,790,580	¥1,790,542	¥1,745,537	¥1,854,774	¥2,012,858	\$16,364,699
Net Income	48,546	24,788	4,631	28,130	38,527	313,228
Net Income per Share of Common Stock (yen and U.S. dollars)	43.21	22.00	4.11	24.97	34.20	0.28
Cash Dividends per Share of Common Stock (yen and U.S. dollars)	12.00	12.00	12.00	12.00	13.00	0.11
Shareholders' Equity	943,565	953,327	944,339	896,618	943,505	7,670,772
Total Assets	2,048,791	2,084,203	2,021,886	1,922,794	2,003,641	16,289,764
Number of Shares Outstanding (thousands of shares)	1,126,470	1,126,499	1,126,525	1,126,577	1,126,647	—
Number of Employees (Sharp Corporation and Consolidated Subsidiaries)	45,117	47,981	48,820	49,748	49,101	—

Notes: 1. Translation into U.S. dollar figures is based on ¥123 = U.S.\$1, the approximate exchange rate prevailing on March 31, 2001. All dollar figures herein refer to U.S. currency.

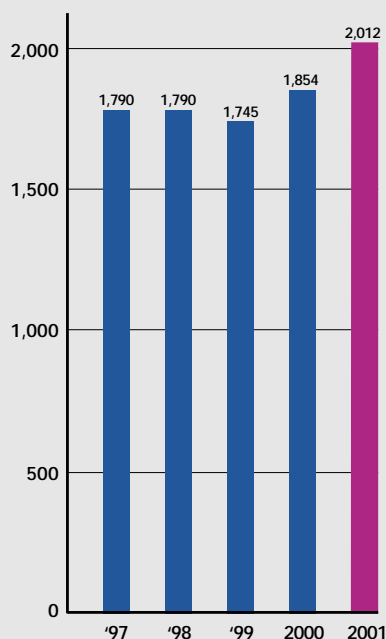
2. The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.

3. Number of Shares Outstanding is net of treasury stock.

4. The figures for 2000 in this section and other sections of this report have been restated to conform with the 2001 presentation concerning foreign currency translation adjustments under the revised Accounting Standard for Foreign Currency Transactions effective April 1, 2000.

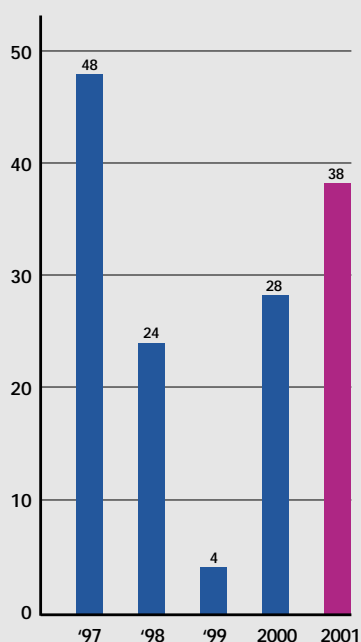
Net Sales

(billions of yen)



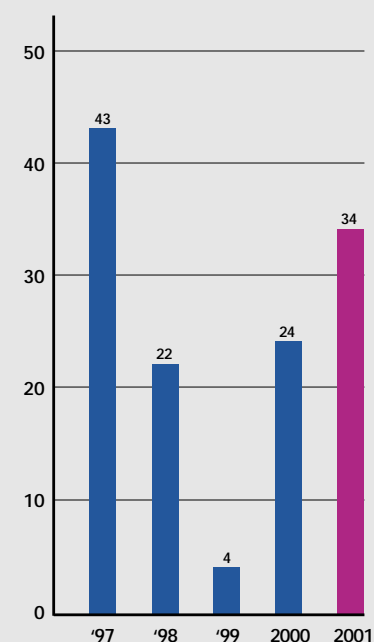
Net Income

(billions of yen)



Net Income per Share

(yen)



A MESSAGE TO OUR SHAREHOLDERS



Katsuhiko Machida
President

Fiscal 2000 in Review

Looking back at Japan's economic situation in fiscal 2000, we saw the economy showing little sign of definite recovery, partly due to a drop in stock prices and a slump in consumer spending, worsened by high unemployment. There were, however, some movements toward autonomous recovery, such as increased corporate revenue and commercial investment in facilities and equipment. In overseas environments, on the other hand, the U.S. economy slowed down rapidly in the latter half of the year after growing steadily in the first half. This slowdown substantially affected the European and Asian economies.

Under these circumstances, Sharp continued to develop business focused around its LCD Digital Network Strategy. We committed ourselves to creating one-of-a-kind products, including LCD televisions, new mobile phones, and a new Personal Information Tool with video playback capabilities. We pursued the creation of unique devices, such as flash memory for mainly mobile phones, CCD and CMOS imagers for digital still cameras and mobile phones, and laser diodes for DVD and CD players. We also reinforced the development of one-of-a-kind LCDs. Moreover, we vigorously accelerated business activities to drastically reduce costs and to promote business tie-ups and collaborations with major international companies in and outside Japan.

As a result of our company-wide efforts to boost business performance, our consolidated net sales for fiscal 2000 totaled ¥2,012.8 billion (US\$16,364 million), an 8.5% increase over the previous year, while operating income amounted to ¥105.9 billion (US\$861 million), a 42.2% increase. Both figures were our all-time highest.

Priority Strategies for 2001

Master the Secrets of Manufacturing

It is estimated that the Japanese economy will continue to move sideways with uncertain outlook due to a reduction in corporate earnings and a drop in stock prices caused by economic recession in the U.S. and in other countries. Other factors include stagnating commercial investment in facilities and equipment and a slowdown in consumer spending.

Although managerial environments are drastically changing as we enter the 21st century, Sharp is returning to the spirit of its manufacturing roots of creating originally featured products using the latest electronics technology to offer customers satisfaction and new lifestyles. We will aggressively promote the following business strategies to become a valued one-of-a-kind company that presents new lifestyles in the 21st century.

The first strategy is to thoroughly strengthen and expand our product business with an eye on global markets.

Last year, we presented our Digital New Life concept, which broadened the range of fun and enjoyment with new network applications, and strived to create one-of-a-kind products able to play the core role.

This year, we will strengthen this concept with our Digital New Life 21 strategy. Utilizing rapidly improving network infrastructures, we will create products that can respond to the new lifestyles demanded by our customers.

In addition to our "LCD Big Bang" strategy of expanding our LCD television business worldwide, we will push forward with the creation of original products based on our medium-term product strategies of "Personal Entertainment & Communication," with our sights on the new mobile society of the 21st century. These product strategies include introducing Sharp Personal Information Tools, which can act as the hub of digital networks, into world markets, creating totally new Personal Information Tools, and expanding our mobile phone business globally and domestically to coincide with the start of next-generation telecommunication services.

The second strategy is to create original devices to lead the industry.

Last year, we promoted the development of one-of-a-kind devices using key technologies, such as network technology and digital interface technology, to expand business.

This year, we will increase our efforts by concentrating technological resources, and in close cooperation with product divisions, devote all our energies to the development of original devices to lead the industry.

In the LCD business, we will aim for competitiveness in all areas of business, not only by further strengthening development of our one-of-a-kind LCDs but also by reinforcing our original production organization and patent strategy.

As for our IC and electronic components business, we will thoroughly refocus and consolidate our business and further promote the development of world-leading devices to create new products for this age of information technology.

The third strategy is to promote technological and process innovation to support our new manufacturing strategy.

We will strengthen R&D in order to pioneer next-generation businesses. To achieve this end, we established a new Corporate Advanced Technology Strategic Planning Group, which will gather and exchange the latest technological information and aggressively promote technological development that will lead to future business.

We will also innovate our methods of production. We will work to create a design and production system that will raise Sharp's competitive power to new levels of cost effectiveness, productivity and speed.

The fourth strategy is to practice environmentally friendly management and raise the quality and safety of our products.

As an environmentally advanced company, Sharp will continue its activities to preserve the Earth's environment through the development of products and devices that not only save energy but create energy as well. We will also continue to practice earth-friendly operations that reduce the burden on the environment and ensure the quality and safety of our products, to provide a higher level of customer satisfaction.



The fifth strategy is to introduce a new personnel system to stimulate employee performance.

We will introduce a new personnel system that will enable us to expand our current results-oriented personnel evaluation system throughout the entire company. This system will also aid us in training highly motivated employees and in strengthening managerial abilities geared toward today's global society. We expect that the implementation of this new system will raise employee performance and energize the organization as a whole.

Increasing Corporate Value

We decided to employ three-year managerial indexes based on the aforementioned business strategies for fiscal 2003. Targeting ROA at 5%, ROE at 10%, and free cash flow at ¥80 billion, Sharp will aim to increase the value of the company in terms of profitability, stockholder value, and capital efficiency. To make these goals a reality, we must make company-wide efforts to break our record of two consecutive years of best ever net sales results and exceed our previous record for operating income.

We are also considering the introduction of a PCC (profit-after-capital cost) system, which will enable us to efficiently evaluate all business divisions, in terms of both earnings and capital, and to restructure our business.

We look forward to receiving your continued help and support.

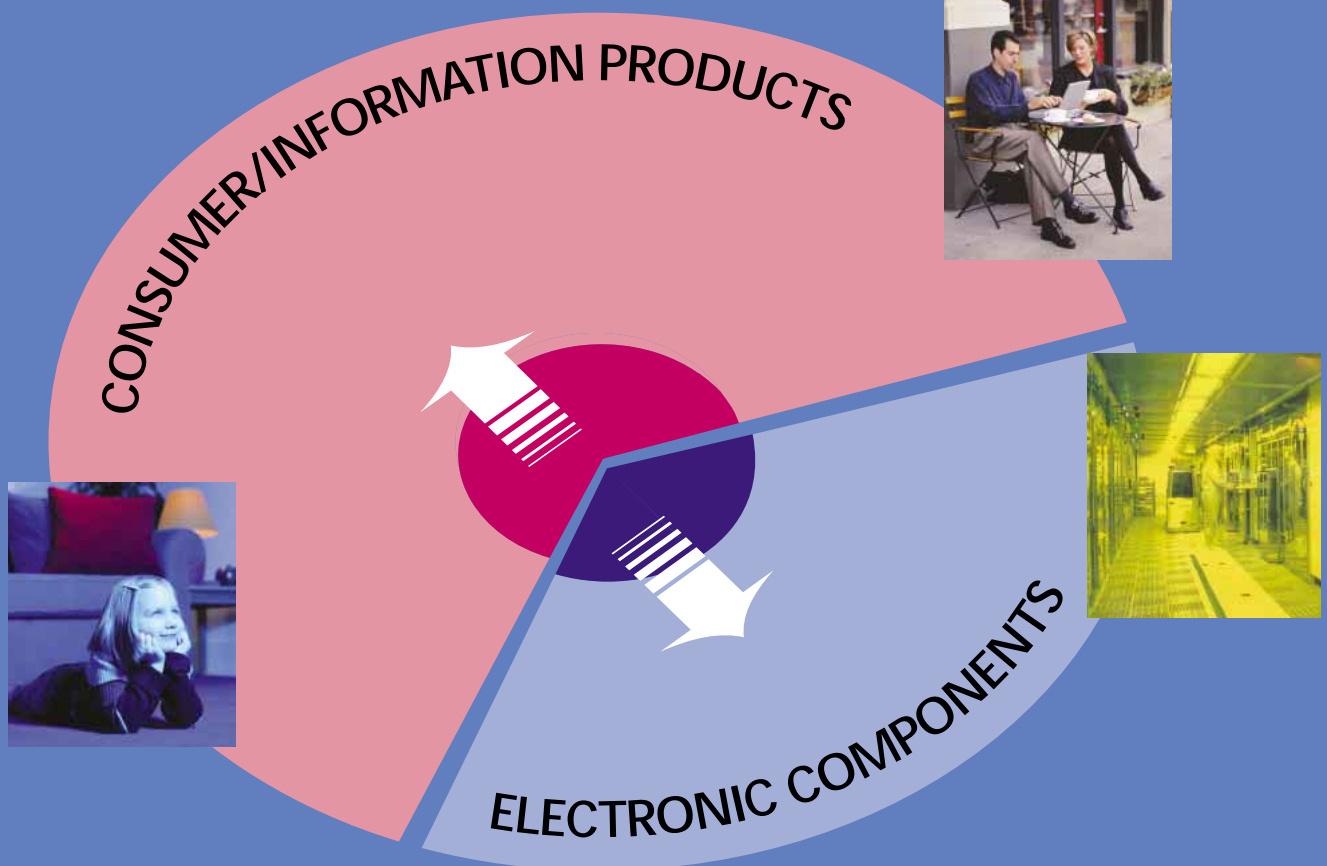
July 2001

Katsuhiko Machida
President

BUSINESS STRATEGIES

Strengthening and Expanding Our Product Business with Our Sights on World Markets to Offer New Lifestyles for the 21st Century

Returning to our roots as a manufacturer and designating fiscal 2001 as the "year of products," we are expanding the global presence of the Sharp brand name with high-value-added products that represent the vanguard of a new era. In the field of audio-visual and communication/information equipment, we will be deploying our Digital New Life 21 concept, which is designed to exploit the expanding global network infrastructure to the fullest. And in the field of home appliances, we will generate fresh demand by bringing to market one-of-a-kind products that incorporate the newest technologies and materials.



From LCDs to ICs and Electronic Components, Sharp Creates Industry-Leading "One-of-a-Kind" Devices

By prioritizing and consolidating our technological resources and working to forge stronger links between product divisions, Sharp is creating devices with unique features, as well as laying a solid business foundation that will remain unaffected by market conditions. In our LCD business, we look upon this year as the "Year Zero" of the next generation of LCD, and thus are focusing on the development of unique, one-of-a-kind LCDs. In our IC and electronic components business, we are thoroughly refocusing and consolidating product lines, and have made it our goal to develop innovative No. 1 devices that will lead the IT era.

Master the Secrets of Manufacturing by Returning to Our Roots as a Manufacturer

Since the rise in the value of the yen following the 1985 Plaza Accord, Japanese manufacturers have searched for optimal locations for their production bases, as they began shifting their production bases overseas in order to reduce costs. Particularly, in recent years it has become increasingly common for manufacturers to conduct design and development in Japan and manufacture overseas. This, however, has resulted in a slowdown in the development of new production technologies in Japan. Still, Japan leads the world in manufacturing and quality control, and by combining these capabilities with information technology, powerful new manufacturing enterprises can take shape and become reality.

Manufacturing cost is also a critically important factor. Boosting the added value imparted to devices raises the ratio of raw material costs, and at the same time decreases the labor cost ratio. When we consider reductions in time-to-market and the benefits of mass production, we can see that there are some products that can be more advantageously manufactured in Japan than overseas.

For Japanese manufacturers, the ideal situation is to do everything domestically—from development to production—and create products that make the most of their unique, proprietary technologies. Accordingly, Sharp regards “returning to our roots as a manufacturer” and “mastering the secrets of manufacturing,” in other words, making new things and generating new demand, as the basis of our business strategy for the future.

Deployment of “Personal E&C” Strategy

Meanwhile, the lives of consumers in the 21st century will change drastically thanks to developments in network infrastructures. “Personal E&C (Entertainment & Communication)” lifestyles, in which individuals can experience fun and enjoyment anywhere, anytime, and lead a more comfortable, mobile way of living, will become increasingly widespread.

Consequently, Sharp has adopted “Personal E&C” as our medium-term product strategy, and will be focusing on the development of families of unique mobile AV products by fully utilizing our strengths in LCD and mobile network technologies and by employing interface technology fostered by our experience in consumer electronics.

The key product categories of the “Personal E&C” strategy are 1) LCD television series, 2) Personal Information Tools, 3) mobile phones, and 4) LCD notebook computers.

LCD Television

As we enter the age of multi-channel digital BS broadcasting, television is becoming more and more personalized, making it possible for everyone to enjoy his or her program of choice. This LCD television is compatible with digital BS high-definition broadcasts, displays images in superb resolution, and can be easily carried from room to room. What's more, its power consumption is significantly lower compared to conventional CRT televisions, which makes it a smart choice for the environmentally conscious.



LCD Televisions

Sharp is the world leader in commercializing large-size LCD televisions. Given their thin profile and light weight, they are not only superior in terms of saving space, but also open up new ways of watching television because they can be freely carried and viewed wherever desired. Also, they offer numerous outstanding features not available in conventional CRT televisions, including energy efficiency, high image quality and attractive design. Users give them extremely high ratings, regarding them as next-generation televisions fit for the digital broadcasting era of the 21st century.



In January of this year, Sharp introduced into the Japanese market a new series of LCD televisions under the brand name AQUOS. The AQUOS C1 series includes seven models in three families. Thanks to slashing the cost of LCD panels produced at our Mie No. 2 LCD Plant, which started production in August last year and to our high-efficiency integrated production line at our plant in Tochigi, this series achieved a street price that breached the 10,000-yen-per-inch price barrier—a 40% reduction in cost compared to previous levels. They have received extremely favorable reviews for their combination of unique design and superb environmental performance. In the future, we will be working to further expand our lineup and endow these products with new added value. We intend to introduce LCD televisions equipped with our proprietary ASV LCDs, which achieve even wider viewing angles and faster response rates, as well as introduce models compatible with digital broadcasts. We are also looking to expand applications based on compatibility with memory cards and wireless reception from video sources.

At Sharp, we position the year 2001 as the year for expanding LCD television sales internationally. In addition to professional-use LCD monitors, we have expanded sales with the introduction of LCD televisions since the middle of last year. Accordingly, we started introducing a new series of LCD televisions into various countries in June and are receiving increasingly positive reaction and expectations from the marketplace including major overseas distributors.

Sharp will continue to actively expand its LCD television business around the globe by offering product lineups that give users benefits that are possible only with LCD televisions.

Personal Information Tool

This new Personal Information Tool allows users to enjoy games as well as video and music recorded onto flash memory cards—all on the go. E-mailing is also a breeze thanks to PHS wireless data card compatibility and a slide-out keyboard.



Mobile Phone

Sharp's new mobile phone features a semi-transmissive color TFT LCD capable of displaying a maximum of 65,536 colors and a built-in 110,000-pixel color camera that allows users to easily take photos, which can be used as screen savers or sent as an e-mail attachment.



LCD Notebook PC

Utilizing Sharp's original technologies, this ultra-thin notebook PC offers an ideal combination of style, durability and performance. It measures a mere 16.6 mm in thickness (at the thinnest section) and weighs only about 1.31 kg.



Personal Information Tools

Since its introduction in 1993, the Sharp Personal Information Tool has been a consistent market leader. This year, we are positioning it at the core of our Personal E&C strategy and will be working aggressively to expand sales. Specifically, we will be introducing models for the international market that use the Linux operating system and will be pushing development of Java-based models. In addition to providing an open development platform, this effort will move toward development of entirely new product categories. Our aim is to expand our market share by adopting a three-pronged strategy in and outside Japan, centered on "multimedia PDAs" that can be used for a wide variety of applications without the need for a PC; "PC-assisted PDAs" that can link to and exchange data with personal computers; and "wireless PDAs" with built-in communications functions.



Mobile Phones

Up to now, Sharp has been focusing on the Japanese market in our efforts to expand our mobile phone business. But as mobile Internet applications become more widespread and mobile phones evolve with next-generation technologies on a world-wide basis, we will be pursuing a full-scale business expansion in the international marketplace. To accomplish this, we intend to take full advantage of our technical development capabilities fostered in Japan as well as areas of technological strength, including key devices such as LCD and flash memory, our ability to miniaturize and reduce the weight and form factor of products, user interface technologies, and so forth. This year, in addition to developing GSM models equipped with color LCDs and digital cameras for the U.K. market, we will be introducing cdmaOne phones for the North American market. Furthermore, in April of this year, we set up a new development subsidiary in the U.K., which will become our base for development of next-generation mobile communication products.

LCD Notebook PCs

Sharp has so far expanded its lineup of LCD personal computers to include mobile laptop models, "all-in-one" notebook models and desktop models. This year, as a leading manufacturer of mobile equipment, we will expand our lineup with new products aimed at consumers who place a premium on user friendliness. These models will have improved notebook PC features such as a thinner profile, lighter weight and longer battery life, which are among the most important features in a mobile environment.

UHA LCD has a high resolution surpassing that of conventional CRT displays



ASV LCD features wide viewing angles and a high response rate



Plastic Fine Color LCD brings color to plastic LCDs



A next-generation PDA (conceptual image)

Glass Fine Color LCD displays five times more detail than conventional STN LCDs



Low-temperature CG-Silicon LCD paves the way for the "sheet computer" of the future



In-vehicle product (above) and mobile phone (right) featuring an ultra-thin profile, ultra-low power consumption, and a super high-resolution LCD (conceptual images)



LCD BUSINESS

2001—"Year Zero" of the Next Generation of LCDs

In the latter half of fiscal 2000, the price for large-size TFT LCDs dropped dramatically due to a collapse in the supply and demand balance caused by increased production by LCD manufacturers both inside and outside Japan, including makers in Korea and Taiwan, and a slump in PC sales. This led to production cutbacks at many LCD manufacturers, a shift in production to small and medium sizes, and freezing or postponing of new investments.

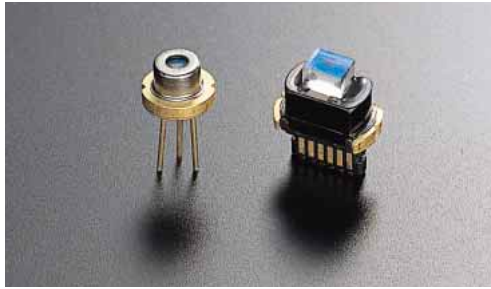
However, Sharp predicts future demand for large-size TFT LCDs will exceed supply as demand for LCD color monitors expands significantly, orders for new PCs capable of handling full-motion video increase as a result of adjustments in notebook PC inventories, and demand for LCD televisions grows in light of the pending shift to digital broadcasting.

This April, Sharp brought a second manufacturing line into production at our Mie No. 2 Plant, which is delivering excellent investment productivity. We are also aggressively pushing development of proprietary LCDs such as ASV LCDs, which feature a high response rate and wide viewing angles, and high-resolution UHA LCDs.

Meanwhile, further price drops are expected for small- and medium-size LCDs, given the excess supply due to the slowdown in demand for mobile phones and the entry into the market by various companies. However, Sharp's small- and medium-size LCD lineup is centered on one-of-a-kind LCDs that can be highly customized to meet customer needs. We are aiming for even higher added value with the introduction of ULC HR-TFT LCDs, which consume 1/3 the power in full-motion display and 1/30 the power in still-image display compared to conventional reflective LCDs, making them ideal for use in hand-held game machines and mobile phones. We are also introducing Glass Fine Color LCDs for mobile phones, which are capable of displaying up to 65,536 colors, as well as Plastic Fine Color LCDs. The technological advantage we have over our competitors gives us confidence that we can put up a more-than-adequate fight for this market, even in the midst of severe competition.

As the core of our next-generation LCDs, we are focusing on low-temperature CG-Silicon LCDs. We will first start with the development of small- and medium-size LCDs with the objective of increasing demand for these sizes. On May 1st, we launched the Systems-LCD Group, whose mission is to intensify development with a goal of launching volume production in fiscal 2002.





Sharp's laser diode and hologram laser feature the industry's highest optical output

Left: High-output red laser diode for DVD-R/RW drives

Right: Hologram laser for 24x CD-R drives



High-capacity combination memory, a key device in the mobile age, is designed to handle complex functions in mobile phones

Combination memory combining high-capacity 16-Mbit RAM and 32-Mbit flash memory (Left: back side, right: front side)



SS wireless units and Bluetooth units make possible wireless network connectivity

Left: SS wireless LAN card conforming to the IEEE 802.11 standard

Right: Bluetooth-compatible Compact Flash card



Ultra-compact CMOS camera system module

IC AND ELECTRONIC COMPONENTS BUSINESS

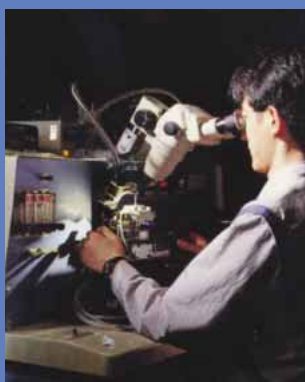
IC Business—Refocusing and Consolidating

In our IC business activities, our plans are to further increase the percentage of products that fall into four key areas—flash memory and flash memory embedded LSIs, LSIs for LCD, CCD and CMOS imagers, and analog ICs.

Conditions in the flash memory market are particularly tough as a result of the slowdown in growth in mobile phones and increased production by various manufacturers, and it appears that the severity of this market will increase. However, we intend to differentiate ourselves from other manufacturers by strengthening our cost competitiveness by pushing ahead with the transition from 0.25 μm to 0.18 μm design rules, and by strengthening flash memory embedded LSIs. We are also working to expand our offerings in high-capacity flash memory chips above 32 Mbits.

We have already started sample shipments and sales of 64- and 32-Mbit flash memory devices manufactured based on 0.18 μm design rules. And beginning this fiscal year, we will begin shipments of flash memory embedded LSIs intended for IC cards.

In addition, the spread of broadband network infrastructure is leading to an increasing trend toward equipping mobile phones and PDAs with digital camera functions. Sharp is responding by providing higher added value through products such as CMOS imagers with integrated lenses and CMOS camera system modules.



Electronic Components Business—Create Devices to Capture the No.1 Global Market Share

Meanwhile, in electronic components, we are working hard to maintain our overwhelming market superiority and to improve profitability by concentrating management resources in product areas where we have the No. 1 market share worldwide or where we can attain the No. 1 market share.

According to a Gartner Dataquest survey, Sharp optoelectronic devices (standard optoelectronics) held a 15% global market share in 2000, maintaining the No. 1 position worldwide for 18 years in a row*. Sharp became the world leader in the production of solar cells, and with this accomplishment, held the No. 1 position worldwide for production volume in 12 different product areas, including laser diodes, photocouplers, low power-loss voltage regulators and DBS tuners.

In fiscal 2001, Sharp will work to expand its No. 1-market-share product categories to include RF devices. These products include SS (spread spectrum) wireless units and Bluetooth units, whose sales we expect to expand as home network devices.

Against a backdrop of an expanding market for residential photovoltaic power systems in Japan based on government subsidies, Sharp has been able to capture the No. 1 market share worldwide for solar cells. This achievement was the result of the aggressive introduction of new products, increased investment in facilities and equipment, and working hard to expand sales with a carefully targeted approach. It appears that vigorous demand will continue in the future as Japanese government subsidies for residential photovoltaic power systems are expected to grow to ¥23.5 billion in fiscal 2001, a 32% increase over the previous year.

To handle this expected increase in demand, in May 2001, Sharp boosted production capacity at its Shinjo Plant in Nara Prefecture from 54 MW to 94 MW, the highest annual production output in the world, thereby maintaining our firm hold on the No. 1 market share worldwide.

We also anticipate dramatic growth in demand for laser diodes for use with optical disk systems such as DVD players. To meet this demand, we are constructing a new plant to produce compound semiconductors, mainly laser diodes, in Mihara, Hiroshima Prefecture. Construction of the No. 1 Plant started in June 2001 and is expected to be up and running in September 2002.

*Source: Gartner Dataquest (GG01-SHA-007)

OPERATING RESULTS



LCD Television



1-Bit Digital Audio System



Vacuum Cleaner with Cyclonic System



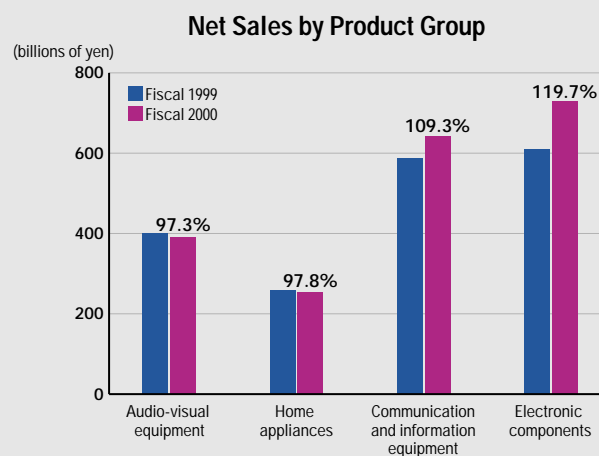
"Plasma Cluster" Air Conditioner

Audio-Visual Equipment

Brisk sales continued in Japan for digital products such as LCD televisions (which are the ideal televisions for the age of full-scale digital broadcasting), new audio systems with a built-in 1-bit digital amplifier for exceptional sound quality, digital BS tuners and DVD players. Outside Japan, however, sales were sluggish for existing audio-visual products such as televisions and VCRs. This added up to a 2.7% decrease in net sales over the previous year, to 389.4 billion yen.

Home Appliances

Sharp successfully introduced the following original products: the cyclonic vacuum cleaner, which uses centrifugal force to separate dust and air; the "Plasma Cluster" air conditioner, which quickly rids air of odor-causing particles; a combination drum-type washing machine and dryer; and a dual-swing door refrigerator with an LCD information panel that reminds users of product expiration dates to help prevent food from being wasted. Although we benefited from the rush of consumers making purchases before the start of the consumer electronics recycling law in Japan, net sales were down 2.2% over the previous year to 252.9 billion yen, mainly due to a drop in market prices both inside and outside Japan.



The figures above the graphs represent the comparison ratio over the previous year.

Communication and Information Equipment

While sales of PCs and facsimiles were stagnant, products such as the Personal Information Tool, which provides video and music entertainment and allows easy e-mail message entry through its built-in keyboard, and mobile phones with features like a built-in camera and TFT LCD screen proved to be hits. PHS phones and LCD color monitors also showed strong growth. As a result, net sales were up 9.3% over the previous year, to 641.4 billion yen.

Electronic Components

Increased production by LCD manufacturers in Korea and Taiwan caused oversupply that pushed prices down even more than expected. However, Sharp had strong sales of one-of-a-kind LCDs such as reflective color TFT LCDs for portable game machines and PDAs and transfective color STN LCDs for mobile phones. In addition, Sharp expanded in its key fields with continued sales increases in proprietary ICs such as flash memory and LSIs for LCD, optodevices such as laser diodes and photoelectric elements, and solar cells. Overall, net sales were up 19.7% over the previous year to 729.0 billion yen.



LCD Color Monitor



Personal Information Tool

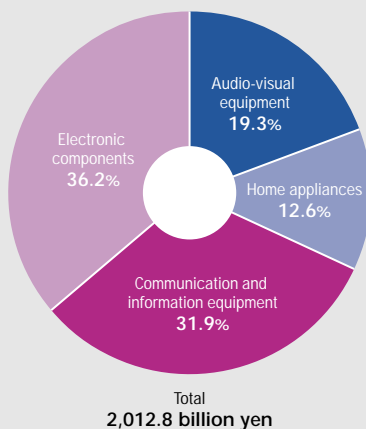


Color Facsimile



Digital Copier/Printer

**Proportion of Net Sales
by Product Group**



AIMING TO BE AN ENVIRONMENTALLY ADVANCED COMPANY



Contributing to a Sustainable Society

The 21st century has emerged as the “century of the environment” and is destined to be a critical time in resolving environmental and population issues that are viewed as intractable.

As a first step, we must rid ourselves of the culture of mass production, mass consumption and mass waste production, and replace it with a resource-recycling society with the aim of achieving sustainable development. Business enterprises need to promote the development of production processes and products that minimize the burden placed on the environment, improvements in the efficiency of resource utilization, and the recycling of waste materials and their reuse in products. Implementation of environmental management will become an important activity.

Sharp is aggressively tackling the problems of reducing the burden on the environment and improving resource utilization efficiency by promoting its 3G-1R Strategy, a program of four basic themes under the concept of “creating an environmentally conscious company with sincerity and creativity.” In product development, it is our intention to make a constructive contribution to protecting the Earth’s environment by positioning LCDs, which are superb products in terms of saving energy and conserving resources, and solar cells, which are energy-creating devices, as core competencies for the future.

In addition, we are actively promoting design based on the 3 Rs (reduce, reuse, recycle), and are working to bring out more products that give greater consideration to environmental matters.

The first aspect of our 3G-1R Strategy is “GP: Green Products.”

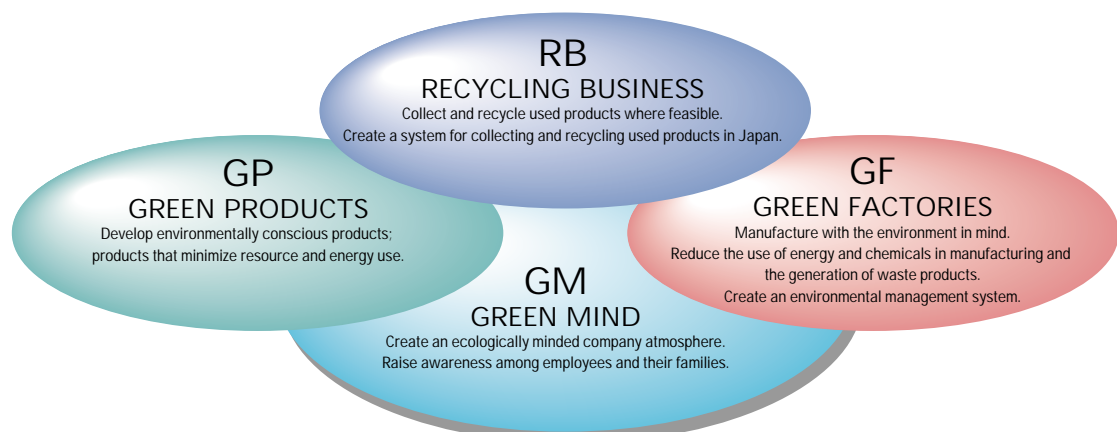
Sharp has designated products that give consideration to the environment as “green products.” We have established development processes that promote the idea of making products that are environmentally friendly from the very start of product planning and design, and are implementing them on a company-wide basis.

We regard energy efficiency, resource utilization efficiency, safety, recyclability, the use of recycled materials, long service life, and dismantlability as basic concepts in product development, and are designing products based on guidelines that set specific environmentally related objectives. Products that are especially environment-friendly are given the “Sharp green seal”. It is our goal to make a contribution to society by making many of these products available to consumers around the world.

The second aspect of our 3G-1R Strategy is “GF: Green Factories.”

Sharp is taking the following actions with the aim of establishing business sites that minimize to the greatest extent possible the burden placed on the environment, including the Earth’s ecosystems. “Reducing greenhouse effect gas emissions”—We are committed to reducing carbon dioxide emissions on a yearly basis through efforts such as introducing inverter control technology to our plant equipment and effectively handling waste heat.

“Reducing waste”—We are aiming at zero emissions during 2002 for the amount of waste ultimately disposed of from all our production sites in Japan.





The Sharp Green Seal is displayed on products in Japan that meet the environmental standards established by Sharp.

“Reducing chemical substances”—We have designed a comprehensive chemical substance management system to support risk management for all environmental, safety, and health aspects at our operations. Through this system, we are taking action to ascertain the levels of all chemicals used and discharged in Japan, and to achieve systematic reductions in their emission levels.

The third aspect of our 3G-1R Strategy is “RB: Recycling Business.” To comply with Japan’s Law for Recycling of Specified Kinds of Home Appliances, Sharp, in cooperation with Mitsubishi Materials Corporation, recently established Kansai Recycling Systems Co., Ltd. in Osaka. Equipped with the latest recycling technologies, this plant is designed to exist in harmony with the surrounding environment by taking all possible measures to prevent noise and vibration and by preserving green space. The facility went into full operation in April of this year. Here, based on proprietary Sharp technologies, we are working on material recycling by taking waste plastic and processing it for reuse in new products.

In the future, the information and know-how gained at this facility will be fed back to the process of selecting materials and developing products, and will play a role in developing reusable material and recycling-friendly products.

The fourth aspect of our 3G-1R Strategy is “GM: Green Mind.” Through activities that form a foundation for Sharp’s environmental programs, we are committed to devising means to ascertain the status of the progress of our environmental activities, to fostering

individuals who have a deep understanding of the environment, and to building a corporate culture reflecting this awareness. In addition, we are actively communicating with parties outside the company through the publication and announcements of environmental reports and pamphlets, as well as implementation of “green procurement.”

Sharp introduced an environmental accounting system in 1999. Environmental accounting is an important tool in evaluating corporate investment in relation to the environment and making decisions related to environmental activities, and provides reference data that will deepen the understanding of all stakeholders regarding corporate environmental activities.

In the future, we will integrate into our activities the Environmental Performance Indicators for Business announced by Japan’s Ministry of the Environment, with the goal of creating a set of standard evaluation indicators for all corporate activities related to environmental protection, and will construct a means to increase the effectiveness and efficiency of our environmental activities.

Sharp believes that cooperation with people and nature is necessary to achieve a sustainable society. To this end, Sharp is doing its best to work together with citizens locally, nationally, and ultimately worldwide. To ensure that all of our corporate efforts are “green” efforts, we have committed ourselves to the development of innovative environmental programs based on our “3G1R” strategy, and intend to make the results of these efforts open to the public.



TOPICS

Sharp Constructs New Laser Diode Plant in Mihara, Hiroshima

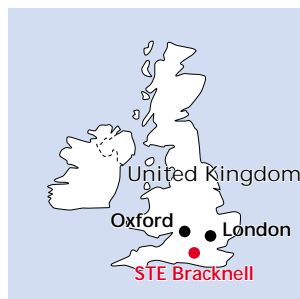
Sharp began the construction of a new manufacturing plant for electronic components in Mihara, Hiroshima Prefecture, Japan. Construction of the No. 1 Plant began in June 2001, and when fully operational in September 2002, it will produce compound semiconductors, including laser diodes for CD and DVD products, the demand for which is expected to explode.



Completed structure of the Mihara No. 1 Plant (conceptual sketch)

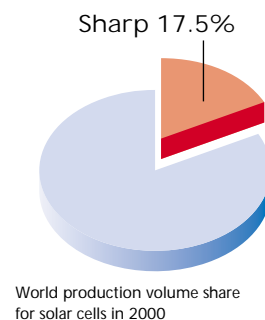
Sharp Establishes Mobile Phone Development Subsidiary in the U.K.

The worldwide shift to next-generation mobile communications together with the increasing use of mobile Internet terminals is presenting new business opportunities for Sharp. Accordingly, Sharp established Sharp Telecommunications of Europe, Ltd. (STE) in the U.K. with the aim of expanding its mobile phone business to overseas markets. The company will develop mobile phones specifically designed to match the infrastructure and needs of the European market.



Sharp Becomes No. 1 in Solar Cell Production

Sharp produced more of the world's total solar cell power in 2000 than any other manufacturer—a total of 50.4 MW. This achievement was a result of growing demand for residential photovoltaic power systems in Japan, due to increased environmental concerns as well as strengthened production at the Shinjo No. 3 Solar Cell Plant in Nara and the development of highly efficient solar cell modules. Sharp plans to further increase the production capacity of the plant, which will help keep Sharp at the top of solar cell production.



Houses equipped with photovoltaic power systems

Collaboration and Joint Venture in Semiconductor Production

Under its policy of refocusing and consolidating, Sharp is aiming for higher profitability in its IC business. In addition to concentrating on the business areas of flash memory (the demand for which is expected to grow for use in mobile equipment), CCD and CMOS imagers, and LSIs for LCD, Sharp will take advantage of extra-company resources to achieve even higher investment efficiency.



Sharp LCD Television Selected for Permanent Collection at Centre Pompidou

Sharp's 28-inch LCD television was chosen as part of the permanent collection at the Centre Pompidou in Paris, a world-famous center for the contemporary arts, and is enjoying high praise from many visitors. Applauded for its ultra-thin and elegant design, the 28-inch LCD television not only offers users high picture and sound quality but also freedom in viewing style.



LC-28HD1 28-inch wide-screen LCD television



The Centre Pompidou in Paris, a famous center for the contemporary arts

Joint Establishment of Consortium to Promote 1-Bit Audio Technology

Sharp, Waseda University and Pioneer Corporation established the 1-Bit Audio Consortium for the purpose of promoting 1-bit audio technology. This next-generation audio technology, first commercialized by Sharp, is capable of faithfully reproducing audio frequencies and is also energy-efficient. Anticipated applications for 1-bit audio include not only audio-visual equipment but also a wide range of electronic products such as PCs and PDAs. The consortium welcomes the participation of groups from a variety of fields and will work for the global standardization of 1-bit audio.



SM-SX100 1-bit amplifier



SD-NX10 1-bit digital audio system

Malaysian Prime Minister Visits Sharp

Malaysia's Prime Minister Mahatir visited Sharp's Corporate Research and Development Center in Tenri, Japan, on January 19, 2001. Sharp has a total of 6 manufacturing and sales bases in Malaysia. The bases' activities account for 2.1% of Malaysia's GDP, greatly contributing to the nation's economic development. The Prime Minister visited Sharp's Memorial and Technology Halls and LCD plant and was highly interested in Sharp's latest technologies.



Above: President Machida and Prime Minister Mahatir shake hands



Consumer Electronics Recycling Plant Begins Operation in Osaka

The facilities of Kansai Recycling Systems Co., Ltd. began operations in April 2001. The plant recycles air conditioners, televisions, refrigerators, and washing machines. The information and know-how gained at the facilities is fed back to Sharp's product planning and development divisions and used to design products that are easier to recycle.



Kansai Recycling Systems Co., Ltd.

BOARD OF DIRECTORS

As of June 28, 2001



Katsuhiko Machida
President

Corporate Senior Executive Vice Presidents



Magohiro Aramoto



Shigeo Misaka



Seiji Shiotsu

Corporate Senior Executive Directors



Buheita Fujiwara



Hiroshi Saji



Akihiko Kumagai



Terumasa Yoneda

Corporate Executive Directors

Keiichi Miyata
Toru Kawata
Toshishige Hamano
Masaya Hijikigawa
Kensuke Yamada
Zempei Tani
Akira Mitarai
Masaaki Ohtsuka

Corporate Directors

Shintaro Hashimoto
Teruhiko Kondoh
Toshiaki Urushisako
Yoichi Sakai
Toshiyuki Tajima
Shigeo Nakabu
Kenji Ohta
Taiji Nishizawa
Hideaki Kamitsuma
Takashi Nakagawa
Yoshiaki Ibuchi

Corporate Auditors

Tomohiro Gonda
Mitsuhiko Iwasaki

Statutory Auditors

Hiroshi Iyori
Michihiro Ishii

FINANCIAL SECTION



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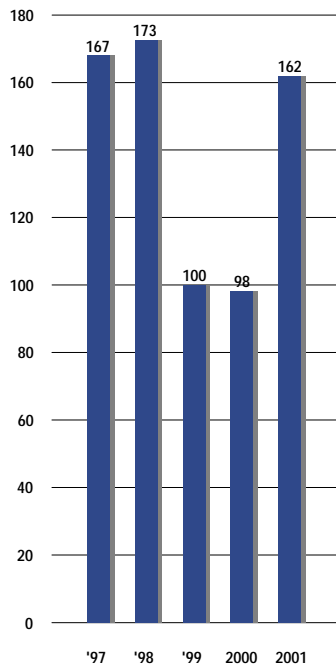
Financial Review

Years ended March 31

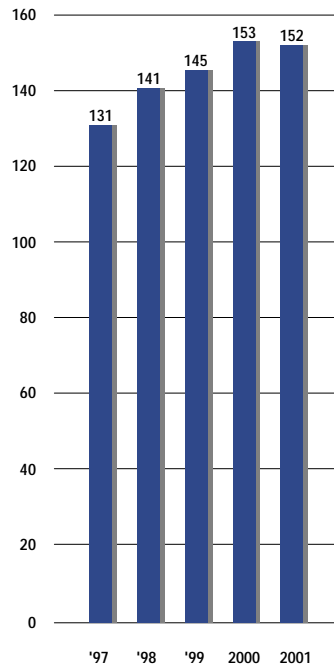
	Yen (millions)					U.S. Dollars (thousands)
	1997	1998	1999	2000	2001	2001
Net Sales	¥1,790,580	¥1,790,542	¥1,745,537	¥1,854,774	¥2,012,858	\$16,364,699
Domestic Sales	930,605	856,346	857,175	974,666	1,149,775	9,347,764
Overseas Sales	859,975	934,196	888,362	880,108	863,083	7,016,935
Operating Income	100,662	59,100	38,127	74,460	105,913	861,081
Income before Income Taxes and Minority Interests	96,324	50,537	11,281	54,007	70,724	574,992
Net Income	48,546	24,788	4,631	28,130	38,527	313,228
Shareholders' Equity	943,565	953,327	944,339	896,618	943,505	7,670,772
Total Assets	2,048,791	2,084,203	2,021,886	1,922,794	2,003,641	16,289,764
Capital Investment	167,632	173,448	100,146	98,051	162,393	1,320,268
Depreciation and Amortization	131,563	141,902	145,498	153,839	152,455	1,239,472
R&D Expenditures*	124,709	132,271	135,095	146,845	149,722	1,217,252
Sales by Product Segment						
Audio-Visual Equipment	447,974	434,342	418,812	400,190	389,464	3,166,374
Home Appliances	282,265	282,698	284,250	258,588	252,950	2,056,504
Communication and Information Equipment	587,410	594,089	551,023	586,932	641,438	5,214,943
Consumer/Information Products	1,317,649	1,311,129	1,254,085	1,245,710	1,283,852	10,437,821
Electronic Components	472,931	479,413	491,452	609,064	729,006	5,926,878
Total	1,790,580	1,790,542	1,745,537	1,854,774	2,012,858	16,364,699
Sales by Region						
Japan	930,605	856,346	857,175	974,666	1,149,775	9,347,764
North America	428,509	448,390	435,602	403,755	377,062	3,065,545
Asia	165,488	204,236	185,161	234,358	252,179	2,050,236
Europe	185,091	200,692	206,047	192,246	190,521	1,548,951
Other	80,887	80,878	61,552	49,749	43,321	352,203
Total	1,790,580	1,790,542	1,745,537	1,854,774	2,012,858	16,364,699
Per Share of Common Stock						
	Yen					U.S. Dollars
Net Income	¥ 43.21	¥ 22.00	¥ 4.11	¥ 24.97	¥ 34.20	\$ 0.28
Diluted net income	42.06	21.64	—	24.80	33.87	0.28
Cash Dividends	12.00	12.00	12.00	12.00	13.00	0.11
Shareholders' Equity	837.63	846.27	838.28	795.88	837.45	6.81
Other Financial Data						
Return on Equity (ROE)	5.3%	2.6%	0.5%	3.1%	4.2%	—
Return on Assets (ROA)	2.4%	1.2%	0.2%	1.4%	2.0%	—
Percentage of Shareholders' Equity	46.1%	45.7%	46.7%	46.6%	47.1%	—

*Design and Development expenditures are included.

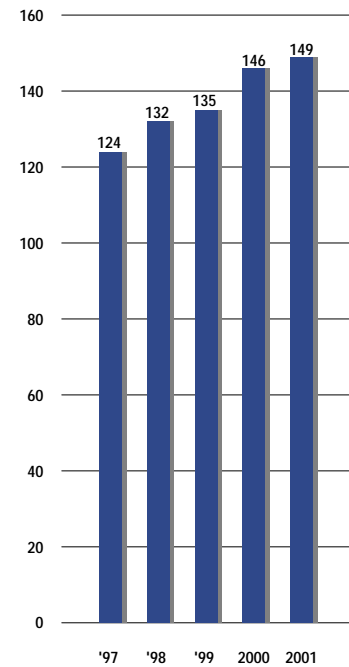
Capital Investment
(billions of yen)



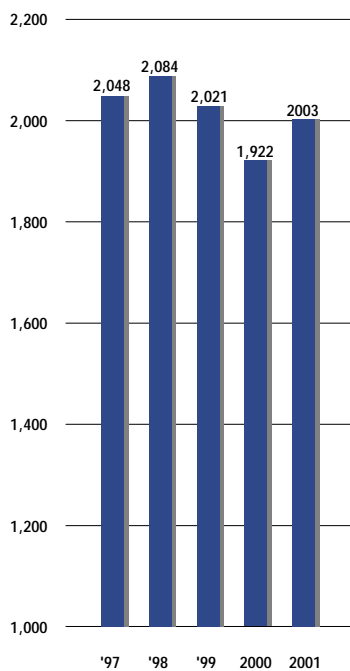
Depreciation and Amortization
(billions of yen)



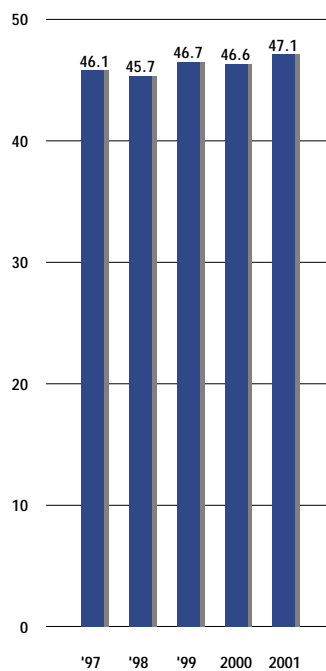
Research and Development Expenditures*
(billions of yen)



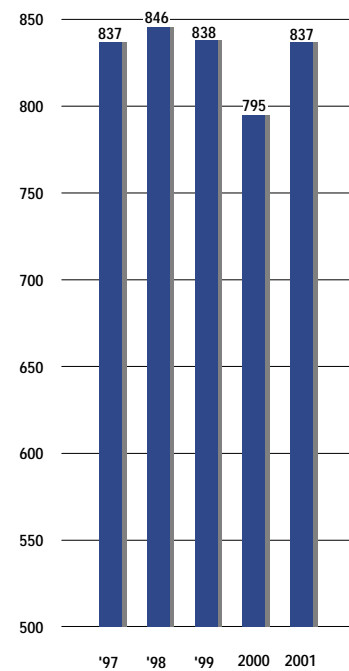
Total Assets
(billions of yen)



Percentage of Shareholders' Equity
(%)



Shareholders' Equity per Share
(yen)



Consolidated Balance Sheets

Sharp Corporation and Consolidated Subsidiaries as of March 31, 2000 and 2001

	Yen (millions)		U.S. Dollars (thousands)
ASSETS	2000	2001	2001
Current Assets:			
Cash and cash equivalents.....	¥ 177,783	¥ 221,673	\$ 1,802,220
Time deposits.....	66,227	25,191	204,805
Short-term investments (Note 2).....	174,217	164,735	1,339,309
Notes and accounts receivable—			
Trade.....	345,512	369,301	3,002,447
Installment.....	18,772	18,802	152,861
Nonconsolidated subsidiaries and affiliates.....	10,402	11,077	90,057
Allowance for doubtful receivables.....	(6,876)	(3,537)	(28,756)
Inventories (Note 3).....	266,013	271,397	2,206,480
Other current assets.....	47,815	62,738	510,065
Total current assets.....	1,099,865	1,141,377	9,279,488
Plant and Equipment, at cost (Note 6):			
Land.....	47,121	47,752	388,227
Buildings and structures.....	411,450	432,247	3,514,203
Machinery and equipment.....	1,146,835	1,185,309	9,636,659
Construction in progress.....	53,779	97,394	791,821
	1,659,185	1,762,702	14,330,910
Less-Accumulated depreciation.....	(1,094,804)	(1,161,707)	(9,444,772)
	564,381	600,995	4,886,138
Investments and Other Assets:			
Investments in securities (Note 2).....	147,629	145,460	1,182,602
Investments in nonconsolidated subsidiaries and affiliates.....	14,773	16,568	134,699
Prepaid expenses and other.....	96,146	99,241	806,837
	258,548	261,269	2,124,138
	<u>¥1,922,794</u>	<u>¥2,003,641</u>	<u>\$16,289,764</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

	Yen (millions)		U.S. Dollars (thousands)
LIABILITIES AND SHAREHOLDERS' EQUITY	2000	2001	2001
Current Liabilities:			
Short-term borrowings, including current portion of long-term debt (Note 5)	¥ 238,802	¥ 199,058	\$ 1,618,358
Notes and accounts payable—			
Trade	284,658	314,226	2,554,683
Construction and other	78,201	104,100	846,341
Nonconsolidated subsidiaries and affiliates	10,157	11,630	94,553
Accrued expenses	106,998	118,860	966,342
Income taxes (Note 4)	32,153	27,250	221,545
Other current liabilities	14,979	22,158	180,146
Total current liabilities	765,948	797,282	6,481,968
Long-term Liabilities:			
Long-term debt (Note 5)	241,182	241,293	1,961,732
Estimated termination and retirement allowances (Note 9)	5,736	5,821	47,325
Other long-term liabilities	3,869	4,861	39,520
	250,787	251,975	2,048,577
Minority Interests	9,441	10,879	88,447
Contingent Liabilities (Note 8)			
Shareholders' Equity (Note 7):			
Common stock, par value ¥50 per share:			
Authorized –2,000,000 thousand shares			
Issued –1,126,581 thousand shares in 2000 and 1,126,652 thousand shares in 2001	204,066	204,095	1,659,309
Additional paid-in capital	282,740	282,768	2,298,927
Retained earnings	471,872	496,802	4,039,040
Foreign currency translation adjustments	(62,053)	(40,150)	(326,423)
Less-Cost of treasury stock:			
3,916 shares in 2000 and 5,623 shares in 2001	(7)	(10)	(81)
Total shareholders' equity	896,618	943,505	7,670,772
	¥1,922,794	¥2,003,641	\$16,289,764

Consolidated Statements of Income

Sharp Corporation and Consolidated Subsidiaries for the Years ended March 31, 2000 and 2001

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Net Sales.....	¥1,854,774	¥2,012,858	\$16,364,699
Cost of Sales.....	1,383,665	1,501,396	12,206,471
Gross profit	471,109	511,462	4,158,228
Selling, General and Administrative Expenses.....	396,649	405,549	3,297,147
Operating income.....	74,460	105,913	861,081
Other Income (Expenses):			
Interest and dividend income.....	10,259	10,099	82,106
Interest expense.....	(13,002)	(12,048)	(97,951)
Other, net.....	(17,710)	(33,240)	(270,244)
	(20,453)	(35,189)	(286,089)
Income before income taxes and minority interests.....	54,007	70,724	574,992
Income Taxes (Note 4):			
Current.....	38,855	44,702	363,431
Deferred.....	(13,900)	(13,227)	(107,537)
	24,955	31,475	255,894
Income before minority interests.....	29,052	39,249	319,098
Minority Interests in Income of Consolidated Subsidiaries.....	(922)	(722)	(5,870)
Net Income.....	¥ 28,130	¥ 38,527	\$ 313,228
	Yen		U.S. Dollars
	2000	2001	2001
Per Share of Common Stock (Note 7):			
Net income.....	¥ 24.97	¥ 34.20	\$ 0.28
Diluted net income.....	24.80	33.87	0.28
Cash dividends.....	12.00	13.00	0.11

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Sharp Corporation and Consolidated Subsidiaries for the Years ended March 31, 2000 and 2001

	Number of Shares (thousands)		Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2000	2001	2001
Common Stock (Note 7):					
Beginning balance.....	1,126,530	1,126,581	¥ 204,045	¥ 204,066	\$ 1,659,073
Conversion of convertible bonds	51	71	21	29	236
Ending balance.....	<u>1,126,581</u>	<u>1,126,652</u>	<u>¥ 204,066</u>	<u>¥ 204,095</u>	<u>\$ 1,659,309</u>
Additional Paid-in Capital (Note 7):					
Beginning balance			¥ 282,719	¥ 282,740	\$ 2,298,699
Conversion of convertible bonds			21	28	228
Ending balance.....			<u>¥ 282,740</u>	<u>¥ 282,768</u>	<u>\$ 2,298,927</u>
Retained Earnings (Note 7):					
Beginning balance.....			¥ 457,580	¥ 471,872	\$ 3,836,357
Net income.....			28,130	38,527	313,228
Cash dividends paid			(13,518)	(13,518)	(109,903)
Directors' and statutory auditors' bonuses.....			—	(163)	(1,325)
Other.....			(320)	84	683
Ending balance.....			<u>¥ 471,872</u>	<u>¥ 496,802</u>	<u>\$ 4,039,040</u>
Foreign Currency Translation Adjustments:					
Beginning balance			¥ (37,729)	¥ (62,053)	\$ (504,496)
Net increase (decrease)			(24,324)	21,903	178,073
Ending balance.....			<u>¥ (62,053)</u>	<u>¥ (40,150)</u>	<u>\$ (326,423)</u>
Treasury Stock:					
Beginning balance.....			¥ (5)	¥ (7)	\$ (57)
Net increase.....			(2)	(3)	(24)
Ending balance.....			<u>¥ (7)</u>	<u>¥ (10)</u>	<u>\$ (81)</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Sharp Corporation and Consolidated Subsidiaries for the Years ended March 31, 2000 and 2001

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Cash Flows from Operating Activities:			
Income before income taxes and minority interests.....	¥ 54,007	¥ 70,724	\$ 574,992
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities —			
Depreciation and amortization of properties and intangibles.....	129,675	138,330	1,124,634
Interest and dividend income	(10,259)	(10,099)	(82,106)
Interest expense	13,002	12,048	97,951
Exchange loss	3,846	5,620	45,691
Loss on sales and disposal of plant and equipment.....	5,841	5,393	43,846
Increase in notes and accounts receivable.....	(23,189)	(29,253)	(237,829)
Decrease in inventories	25,956	6,019	48,935
Increase in payable	6,292	22,863	185,878
Other, net	9,689	14,394	117,024
Total	214,860	236,039	1,919,016
Interest and dividend received	10,873	9,711	78,951
Interest paid.....	(12,817)	(12,513)	(101,732)
Income taxes paid.....	(764)	(49,681)	(403,910)
Net cash provided by operating activities	212,152	183,556	1,492,325
Cash Flows from Investing Activities:			
Purchase of time deposits.....	(486,938)	(275,129)	(2,236,821)
Proceeds from redemption of time deposits	427,761	313,303	2,547,179
Purchase of short-term investments.....	(1,180)	—	—
Proceeds from sales of short-term investments	5,570	50,243	408,480
Acquisitions of plant and equipment	(58,449)	(133,086)	(1,082,000)
Proceeds from sales of plant and equipment	3,531	3,679	29,910
Purchase of investments in securities and investments in nonconsolidated subsidiaries and affiliates	(17,054)	(19,672)	(159,935)
Proceeds from sales of investments in securities and investments in nonconsolidated subsidiaries and affiliates	4,811	8,753	71,163
Loans made	(10,146)	(2,704)	(21,984)
Proceeds from collection of loans	16,977	1,660	13,496
Other, net	(21,280)	(17,601)	(143,098)
Net cash used in investing activities	(136,397)	(70,554)	(573,610)
Cash Flows from Financing Activities:			
Decrease in short-term borrowings, net.....	(94,905)	(55,175)	(448,577)
Proceeds from long-term debt	2,105	32,423	263,602
Repayments of long-term debt	(13,814)	(34,774)	(282,716)
Dividends paid.....	(13,518)	(13,510)	(109,837)
Other, net	(301)	(417)	(3,390)
Net cash used in financing activities	(120,433)	(71,453)	(580,918)
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	(6,818)	2,014	16,374
Net increase (decrease) in cash and cash equivalents.....	(51,496)	43,563	354,171
Cash and Cash equivalents at Beginning of Year.....	226,553	177,783	1,445,390
Cash and Cash equivalents of newly consolidated subsidiaries.....	2,726	—	—
Cash and Cash equivalents increased by merger.....	—	327	2,659
Cash and Cash equivalents at End of Year.....	¥177,783	¥221,673	\$1,802,220
Noncash Investing and Financing Activities:			
Increase in common stock and additional paid-in capital on conversion of convertible bonds	¥ 42	¥ 57	\$ 463

1. Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting consolidated financial statements

Sharp Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated statements of shareholders' equity for 2000 and 2001 have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2001, which was ¥123 to U.S.\$1.00. The convenience translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting right or existence of certain conditions evidencing control by the Company. Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for on the equity method.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Material intercompany balances, transactions and profits have been eliminated in consolidation.

(c) Translation of foreign currencies

Effective April 1, 2000, the Company adopted the revised Accounting Standard for Foreign Currency Transactions.

Under the Standard, monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at current rates at each balance sheet date and the resulting translation gains or losses are charged to income currently.

As to translation of financial statements of overseas subsidiaries and affiliates, assets and liabilities are translated at current rates at each balance sheet date, shareholders' equity accounts are translated at historical rates, and revenues and expenses are translated at average rates prevailing during the year. The resulting foreign currency translation adjustments are shown as a separate component of shareholders' equity.

The effect of adopting the Standard is immaterial.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits placed with banks on demand and highly liquid investments with insignificant risk of changes in value which have maturities of

three months or less when purchased.

(e) Short-term investments and investments in securities

Short-term investments consist of certificates of deposit, interest-bearing securities and funds in trust.

Investments in securities consist principally of marketable and nonmarketable equity securities and interest-bearing securities.

Effective April 1, 2000, the Company adopted the new Accounting Standards for Financial Instruments.

The new accounting standards require companies to identify the intent of holding each securities at the beginning of the fiscal year and classify those securities into four categories: trading securities, held-to-maturity securities, investments in nonconsolidated subsidiaries and affiliates or other securities.

Under the Standards, trading securities are stated at fair market value. Unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period. Held-to-maturity securities are stated at amortized cost. Other securities with fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Other securities with no fair market value are stated at cost, except for interest bearing securities which are stated at the amortized cost, net of the amount considered not collectible.

For current fiscal year, other securities are principally stated at average cost under the provision for one-year grace period by the Standards subject to disclosure as indicated in Note 2.

The effect of adopting the Standards is immaterial.

(f) Leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are primarily accounted for as operating leases.

(g) Inventories

Finished products are principally stated at the lower of

moving average cost or market, however, finished products held by overseas consolidated subsidiaries are valued at the lower of first-in, first-out cost or market. Work in process and raw materials are stated at the current production and purchase costs, respectively, not in excess of estimated realizable value.

(h) Depreciation and amortization

Depreciation of plant and equipment is primarily computed on the declining-balance method over the estimated useful lives. Buildings acquired by the Company and its domestic consolidated subsidiaries on and after April 1, 1998 are depreciated on the straight-line method.

Maintenance and repairs including minor renewals and betterments are charged to income as incurred.

(i) Accrued bonuses

The Company and its domestic consolidated subsidiaries accrue estimated amounts of employees' bonuses based on estimated amounts to be paid in the subsequent period.

(j) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(k) Termination and retirement allowance plans

The Company and its domestic consolidated subsidiaries have primarily a trustee noncontributory defined benefit pension plan for their employees with at least five years of service to supplement a governmental welfare pension plan.

Annual payments to the trustees for the pension plan are based on actuarially determined costs of the plan and are charged to income.

In addition, the Company and its domestic consolidated subsidiaries have an unfunded termination and retirement allowance plan to provide benefits for their employees with

less than five years of service. The amounts of the termination and retirement allowances are, in general, determined on the basis of length of service and specified basic salary at the time of termination or retirement. Estimated termination and retirement allowances are provided for 40% of the amount required if the employees with less than five years of service had voluntarily terminated their employment as of each fiscal year end.

The total provision charged to income under these plans for the years ended March 31, 2000 and 2001 were ¥18,466 million and ¥19,010 million (\$154,553 thousand), respectively.

Certain overseas consolidated subsidiaries have defined contribution pension plans and lump-sum retirement benefit plans.

The new accounting standard, "Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits", effective April 1, 2000, was issued with one-year grace period for adoption. Accordingly, the Company decided to adopt the standard from the fiscal year beginning April 1, 2001 with the disclosure as indicated in Note 9.

Directors and statutory auditors customarily receive lump-sum payments upon their termination, subject to shareholders' approval. Such payments are charged to income when paid.

(l) Research and development expenses and software costs

Research and development expenses are charged to income as incurred. The research and development expenses charged to income amounted to ¥123,313 million and ¥132,906 million (\$1,080,537 thousand) for the years ended March 31, 2000 and 2001, respectively.

The software costs are recorded principally in prepaid expenses and other and amortized by the straight-line method over estimated useful life of principally 5 years.

(m) Derivative financial instruments

The new Accounting Standards for Financial Instruments, effective April 1, 2000, require companies to state derivative financial instruments at fair value and to recognize changes in

the fair value as gains or losses unless derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, companies can apply deferred method, which defers recognition of gains or losses on evaluation of hedging instruments until the related losses or gains on the hedged items are recognized.

The Company and some of its consolidated subsidiaries use derivative financial instruments, which include foreign exchange forward contracts and interest rate swap agreements, in order to hedge risks of fluctuations in foreign currency exchange rates and interest rates associated with assets and liabilities denominated in foreign currencies, investments in securities and debt obligations.

Deferred method was adopted for recognizing gains or losses on these hedging instruments and the hedged items. When a foreign exchange forward contract meets certain conditions, the hedged item is stated by the forward exchange contract rate.

The derivative financial instruments are used based on internal policies and procedures on risk control.

The risks of fluctuations in foreign currency exchange rates and interest rates have been assumed to be completely hedged over the period of hedging contract as the major conditions of the hedging instruments and the hedged items are consistent. Accordingly, the evaluation of effectiveness of the hedging contract is exempted.

The credit risk of such derivatives is assessed at low as the counter-parties of these transactions are prestigious financial institutions.

(n) Reclassifications

Certain prior year amounts have been reclassified to conform to 2001 presentation. These changes had no impact on previously reported results of operations.

Foreign currency translation adjustments in the prior year's consolidated financial statements have been reclassified to conform to the 2001 presentation under the Standard indicated in Note 1(c).

2. Short-term Investments and Investments In Securities

Other securities information under the provision for one-year grace period indicated in Note 1 (e) as of March 31, 2001 is as follows:

	Yen (millions)	U.S. Dollars (thousands)
Carrying amount.....	¥78,835	\$640,935
Fair market value.....	65,263	530,593
Net unrealized losses.....	7,914	64,342
Hypothetical deferred tax assets.....	5,731	46,593
Hypothetical minority interests.....	73	593

Amounts of redemption of other securities with maturities as of March 31, 2001 are as follows:

	Yen (millions)	U.S. Dollars (thousands)
Due within one year.....	¥29,735	\$241,748
Due after one year through five years.....	56,405	458,577
Due after five years.....	0	0

The proceeds from sales of other securities for the year ended March 31, 2001 were ¥5,922 million (\$48,146 thousand). The gross realized gains on those sales for the year ended March 31, 2001 were ¥250 million (\$2,033 thousand). The gross realized losses on those sales for the year ended March 31, 2001 were ¥3,405 million (\$27,683 thousand).

Other securities with no fair market value principally consist of unlisted interest-bearing securities whose carrying amount is ¥86,733 million (\$705,146 thousand).

3. Inventories

Inventories as of March 31, 2000 and 2001 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Finished products.....	¥167,447	¥174,660	\$1,420,000
Work in process.....	54,319	40,634	330,358
Raw materials.....	44,247	56,103	456,122
	<u>¥266,013</u>	<u>¥271,397</u>	<u>\$2,206,480</u>

4. Income Taxes

The Company is subject to a number of different income taxes which, in the aggregate, indicate a normal tax rate in Japan of approximately 42% for the years ended March 31, 2000 and 2001.

The following table summarizes the significant differences between the normal tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2000 and 2001:

	2000	2001
Normal tax rate.....	42.0%	42.0%
Differences in normal tax rates of overseas subsidiaries.....	(3.2)%	(2.9)%
Expenses not deductible for tax purposes.....	6.5%	9.8%
Tax credit	—	(3.6)%
Other.....	0.9%	(0.8)%
Effective tax rate.....	<u>46.2%</u>	<u>44.5%</u>

Significant components of deferred tax assets and deferred tax liabilities as of March 31, 2000 and 2001 are as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Deferred tax assets:			
Inventories.....	¥13,631	¥15,184	\$123,447
Allowance for doubtful receivables.....	3,421	2,074	16,862
Enterprise taxes.....	3,311	2,572	20,910
Accrued bonus.....	4,785	7,196	58,504
Warranty reserve.....	1,186	1,365	11,098
Software.....	—	4,803	39,049
Long-term prepaid expenses.....	7,024	6,647	54,041
Other.....	14,025	21,099	171,536
Gross deferred tax assets.....	<u>47,383</u>	<u>60,940</u>	<u>495,447</u>
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves.....	(1,765)	(1,912)	(15,545)
Undistributed earnings of overseas subsidiaries.....	(7,642)	(7,690)	(62,520)
Other.....	(2,438)	(1,868)	(15,187)
Gross deferred tax liabilities.....	<u>(11,845)</u>	<u>(11,470)</u>	<u>(93,252)</u>
Net deferred tax assets.....	<u>¥35,538</u>	<u>¥49,470</u>	<u>\$402,195</u>

5. Short-term Borrowings and Long-term Debt

The weighted average interest rate of short-term borrowings as of March 31, 2001 was 3.8%.
The Company and its consolidated subsidiaries have

had no difficulty in renewing such loans when they have considered such renewal advisable.

Short-term borrowings including current portion of long-term debt as of March 31, 2000 and 2001 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Bank loans	¥132,311	¥116,119	\$ 944,057
Bank acceptances payable	3,070	2,303	18,724
Commercial paper	74,688	50,720	412,358
Current portion of long-term debt	28,733	29,916	243,219
	<u>¥238,802</u>	<u>¥199,058</u>	<u>\$1,618,358</u>

Long-term debt as of March 31, 2000 and 2001 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
0.3%–6.4% unsecured loans principally from banks, due 2000 to 2009	¥115,000	¥108,567	\$ 882,658
Non-interest unsecured loans from the government to consolidated subsidiaries, due 2000	51	—	—
1.6% unsecured convertible bonds, due 2002	1,246	1,189	9,667
1.6% unsecured convertible bonds, due 2004	26,951	26,951	219,114
1.55% unsecured straight bonds, due 2002	50,000	50,000	406,504
2.00% unsecured straight bonds, due 2005	30,000	30,000	243,902
1.30% unsecured straight bonds, due 2003	10,000	10,000	81,301
1.65% unsecured straight bonds, due 2005	10,000	10,000	81,301
0.34%–3.1% unsecured Euroyen notes issued by a consolidated subsidiary, due 2000 to 2005	26,601	34,460	280,163
4.45%–7.2% mortgage loans for employees' housing from a government-sponsored agency, due 2000 to 2009	66	42	341
	<u>269,915</u>	<u>271,209</u>	<u>2,204,951</u>
Less-Current portion included in short-term borrowings	<u>(28,733)</u>	<u>(29,916)</u>	<u>(243,219)</u>
	<u>¥241,182</u>	<u>¥241,293</u>	<u>\$1,961,732</u>

The following is a summary of the terms of conversion and redemption of the convertible bonds:

	Conversion price	Redemption at the option of the Company
1.6% Bonds, due 2002	¥ 805.40	At 106% to 100% of principal after March 31, 1995, decreasing 1% annually
1.6% Bonds, due 2004	¥1,554.00	At 106% to 100% of principal after September 30, 1997, decreasing 1% annually

The conversion prices of bonds are subject to adjustment for certain subsequent events such as the issue of common stock at less than fair value and stock splits.

The 1.6% unsecured convertible bonds, due 2002 are subject to certain covenants such as restrictions on dividends as defined in the agreement.

If all convertible bonds were converted as of March 31, 2001, 18,819 thousand shares of common stock would be issuable.

As is customary in Japan, substantially all of the bank borrowings are subject to general agreements with each

bank which provide, among other things, that security and guarantees for present and future indebtedness will be given upon request of the bank, and that any collateral so furnished will be applicable to all indebtedness to that bank. To date, the Company has not received such requests from its banks. In addition, the agreements provide that the bank has the right to offset cash deposited against any short-term or long-term debt that becomes due, and in case of default and certain other specified events, against all other debts payable to the bank.

The aggregate annual maturities of long-term debt as of March 31, 2001 were as follows:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2003.....	¥ 68,660	\$ 558,211
2004.....	21,154	171,984
2005.....	44,419	361,130
2006.....	66,520	540,813
2007 and thereafter	40,540	329,594
	<u>¥241,293</u>	<u>\$1,961,732</u>

6. Leases

Finance leases

Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of, and for the years ended, March 31, 2000 and 2001, is as follows:

(a) As lessee

(1) Future minimum lease payments

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Due within one year.....	¥ 70,115	¥ 73,951	\$ 601,228
Due after one year.....	131,275	146,773	1,193,276
	<u>¥ 201,390</u>	<u>¥ 220,724</u>	<u>\$ 1,794,504</u>

(2) Lease payments

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Lease payments.....	¥ 14,597	¥ 15,848	\$ 128,846

(b) As lessor

(1) Acquisition cost, accumulated depreciation and book value of leased properties

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Machinery and equipment:			
Acquisition cost	¥ 8,556	¥ 7,378	\$ 59,984
Accumulated depreciation	4,489	4,128	33,561
Book value.....	4,067	3,250	26,423

(2) Future minimum lease receipts

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Due within one year	¥ 62,491	¥ 64,715	\$ 526,138
Due after one year.....	119,758	135,600	1,102,439
	<u>¥ 182,249</u>	<u>¥ 200,315</u>	<u>\$ 1,628,577</u>

(3) Lease receipts and depreciation

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Lease receipts.....	¥ 2,473	¥ 1,956	\$ 15,902
Depreciation.....	2,011	1,584	12,878

Operating leases

(a) As lessee

Future minimum lease payments as of March 31, 2000 and 2001 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Due within one year.....	¥ 820	¥ 1,044	\$ 8,488
Due after one year.....	1,453	1,818	14,780
	<u>¥ 2,273</u>	<u>¥ 2,862</u>	<u>\$ 23,268</u>

(b) As lessor

Future minimum lease receipts as of March 31, 2000 and 2001 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Due within one year.....	¥ 1,744	¥ 1,664	\$ 13,528
Due after one year.....	1,528	1,582	12,862
	<u>¥ 3,272</u>	<u>¥ 3,246</u>	<u>\$ 26,390</u>

7. Shareholders' Equity and Per Share Data

The Japanese Commercial Code provides that at least one-half of the proceeds from shares issued at a price in excess of par value be included in common stock. In conformity therewith, the Company recorded as common stock over one-half of the principal amount of the convertible bonds converted into common stock.

The Code provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays resulting from appropriation of retained earnings with respect to each annual period be appropriated to the legal reserve until such reserve equals 25% of the stated capital. Legal reserve is included in retained earnings.

The Code also provides that additional paid-in capital and the legal reserve are not available for cash dividends, but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

Year end cash dividends are approved by the shareholders after the end of each fiscal year and semiannual interim cash dividends are declared by the Board of Directors after the end of each interim six-

month period. Such dividends are payable to shareholders of record at the end of each fiscal year or interim six-month period. In accordance with the Code, final cash dividends and the related appropriations of retained earnings have not been reflected in the financial statements at the end of such fiscal year. However, dividends per share shown in the accompanying consolidated statements of income reflect dividends applicable to the respective period.

Net income per share is computed based on the weighted average number of shares of common stock outstanding.

Diluted net income per share is based on the assumption that all dilutive convertible bonds were converted into common stock at the beginning of the year.

On June 28, 2001, the shareholders approved the declaration of cash dividends totaling ¥7,886 million (\$64,114 thousand) to shareholders of record as of March 31, 2001, covering the year then ended, and the related appropriation of retained earnings to legal reserve.

8. Contingent Liabilities

As of March 31, 2001, the Company and its consolidated subsidiaries have contingent liabilities as follows:

	Yen (millions)	U.S. Dollars (thousands)
	2001	2001
Loans guaranteed	¥19,197	\$156,073
Notes discounted	612	4,976
	<u>¥19,809</u>	<u>\$161,049</u>

9. Termination and retirement allowance plans

Information on projected benefit obligation ("PBO") under the provision for one-year grace period indicated in Note 1 (k) is as follows:

	Yen (millions)	U.S. Dollars (thousands)
	2001	2001
PBO.....	¥444,473	\$3,613,601
Plan assets	369,901	3,007,325
Estimated termination and retirement allowances	5,482	44,569
Unrecognized transition obligation	69,090	561,707

In addition, estimated termination and retirement allowances of ¥339 million (\$2,756 thousand) were provided by certain overseas consolidated subsidiaries in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

	2001
Discount rate	4.0%

The PBO is measured based on the total expected retirement benefits as of the retirement date multiplied by the ratio of service years through the balance sheet date against total estimated service years. The amount is discounted into present value based on the discount rate for the periods between balance sheet date and the estimated retirement date.

10. Segment Information

The Company and its consolidated subsidiaries operate in Consumer/Information Products business and Electronic Components business. Consumer/

Information Products business includes audio-visual equipment, home appliances and communication and information equipment.

Information by business segment for the fiscal years ended March 31, 2000 and 2001 is as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Net Sales:			
Consumer/Information Products:			
Customers	¥ 1,245,710	¥ 1,283,852	\$10,437,821
Intersegment	3,384	5,354	43,529
Total	1,249,094	1,289,206	10,481,350
Electronic Components:			
Customers	609,064	729,006	5,926,878
Intersegment	72,469	103,280	839,675
Total	681,533	832,286	6,766,553
Elimination	(75,853)	(108,634)	(883,204)
Consolidated	¥ 1,854,774	¥ 2,012,858	\$16,364,699
Operating Income:			
Consumer/Information Products	¥ 26,840	¥ 30,718	\$ 249,740
Electronic Components	48,078	75,292	612,130
Elimination	(458)	(97)	(789)
Consolidated	¥ 74,460	¥ 105,913	\$ 861,081
Total Assets:			
Consumer/Information Products	¥ 688,429	¥ 712,360	\$ 5,791,545
Electronic Components	710,931	752,233	6,115,715
Elimination and Corporate Assets	523,434	539,048	4,382,504
Consolidated	¥ 1,922,794	¥ 2,003,641	\$16,289,764
Depreciation and Amortization:			
Consumer/Information Products	¥ 50,257	¥ 45,035	\$ 366,138
Electronic Components	103,978	107,856	876,878
Elimination	(396)	(436)	(3,544)
Consolidated	¥ 153,839	¥ 152,455	\$ 1,239,472
Capital Expenditures:			
Consumer/Information Products	¥ 44,754	¥ 40,843	\$ 332,057
Electronic Components	84,258	138,593	1,126,772
Elimination	(381)	(545)	(4,431)
Consolidated	¥ 128,631	¥ 178,891	\$ 1,454,398

Corporate assets as of March 31, 2000 and 2001 were ¥38,445 million and ¥53,249 million (\$4,497,959 thousand), respectively, and were mainly comprised of the Company's cash and cash equivalents and investments in securities.

Information by geographic segment for the fiscal years ended March 31, 2000 and 2001 is as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Net Sales:			
Japan:			
Customers	¥1,164,627	¥1,358,709	\$11,046,414
Intersegment	397,309	393,067	3,195,667
Total	1,561,936	1,751,776	14,242,081
The Americas:			
Customers	360,315	337,618	2,744,862
Intersegment	5,714	6,025	48,984
Total	366,029	343,643	2,793,846
Other:			
Customers	329,832	316,531	2,573,423
Intersegment	163,903	201,277	1,636,398
Total	493,735	517,808	4,209,821
Elimination	(566,926)	(600,369)	(4,881,049)
Consolidated	¥1,854,774	¥2,012,858	\$16,364,699
Operating Income:			
Japan	¥ 53,801	¥ 86,303	\$ 701,650
The Americas	7,651	6,968	56,650
Other	12,008	14,072	114,407
Elimination	1,000	(1,430)	(11,626)
Consolidated	¥ 74,460	¥ 105,913	\$ 861,081
Total Assets:			
Japan	¥1,089,361	¥1,125,099	\$ 9,147,146
The Americas	136,190	162,651	1,322,366
Other	218,004	231,380	1,881,138
Elimination and Corporate Assets	479,239	484,511	3,939,114
Consolidated	¥1,922,794	¥2,003,641	\$16,289,764

Corporate assets as of March 31, 2000 and 2001 were ¥538,445 million and ¥553,249 million (\$4,497,959 thousand), respectively, and were mainly comprised of the Company's cash and cash equivalents and investments in securities.

Overseas sales for the years ended March 31, 2000 and 2001 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	2001	2001
Overseas sales:			
North America	¥ 403,755	¥ 377,062	\$ 3,065,545
Asia	234,358	252,179	2,050,236
Europe	192,246	190,521	1,548,951
Other	49,749	43,321	352,203
Total	¥ 880,108	¥ 863,083	\$ 7,016,935

Overseas sales were comprised of overseas subsidiaries' sales and the Company's and domestic subsidiaries' export sales to customers.

To the Board of Directors of Sharp Corporation:

We have audited the accompanying consolidated balance sheets of Sharp Corporation (a Japanese corporation) and its consolidated subsidiaries as of March 31, 2000 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Sharp Corporation and its consolidated subsidiaries as of March 31, 2000 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Sharp Corporation adopted the revised Accounting Standard for Foreign Currency Transactions (Note 1(c)) and the new Accounting Standards for Financial Instruments (Note 1(e) and (m)) effective April 1, 2000.

Also, in our opinion, the translated amounts in the accompanying consolidated financial statements translated into U.S. dollars have been computed on the basis set forth in Note 1 (a).

Osaka, Japan
June 28, 2001



Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying consolidated financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Consolidated Subsidiaries

<i>Domestic:</i>	Sharp Electronics Marketing Corporation Sharp Finance Corporation Sharp System Products Co., Ltd. Sharp Manufacturing Systems Corporation Sharp Engineering Corporation Sharp Document Systems Corporation Sharp Amenity Systems Corporation Sharp Niigata Electronics Corporation Sharp Trading Corporation
<i>Overseas:</i>	Sharp Electronics Corporation (New Jersey, U.S.A.) Sharp Laboratories of America, Inc. (Washington, U.S.A.) Sharp Electronics Manufacturing Company of America, Inc. (California, U.S.A.) Sharp Electronics of Canada Ltd. (Ontario, Canada) Sharp Electronica Mexico S.A. de C.V. (Baja California, Mexico) Sharp Electronics (Europe) GmbH (Hamburg, Germany) Sharp Electronics (U.K.) Ltd. (Manchester, U.K.) Sharp Laboratories of Europe, Ltd. (Oxford, U.K.) Sharp International Finance (U.K.) Plc. (Hertfordshire, U.K.) Sharp Electronica España S.A. (Barcelona, Spain) Sharp Electronics (Schweiz) AG (Dällikon, Switzerland) Sharp Electronics (Nordic) AB (Bromma, Sweden) Sharp Electronics Ges.M.B.H. (Wien, Austria) Sharp Electronics France S.A. (Paris, France) Sharp Manufacturing France S.A. (Soulitz, France) Sharp Electronics (Italia) S.p.A. (Milano, Italy) Sharp Electronics Benelux B.V. (Houten, The Netherlands) Sharp Electronics (Taiwan) Co., Ltd. (Kaohsiung, Taiwan) Sharp Electronic Components (Taiwan) Corporation (Taipei, Taiwan) Sharp Technology (Taiwan) Corporation (Taipei, Taiwan) Sharp (Phils.) Corporation (Manila, Philippines) Sharp-Roxy Sales (Singapore) Pte., Ltd. (Singapore) Sharp Electronics (Singapore) Pte., Ltd. (Singapore) Sharp Manufacturing Corporation (M) Sdn. Bhd. (Johor, Malaysia) Sharp Electronics (Malaysia) Sdn. Bhd. (Selangor, Malaysia) Sharp Appliances (Thailand) Ltd. (Chachoengsao, Thailand) Sharp Software Development India Pvt. Ltd. (Bangalore, India) Shanghai Sharp Electronics Co., Ltd. (Shanghai, China) Sharp Office Equipments (Changshu) Co., Ltd. (Changshu, China) Wuxi Sharp Electronic Components Co., Ltd. (Wuxi, China) Nanjing Sharp Electronics Co., Ltd. (Nanjing, China) P.T. Sharp Semiconductor Indonesia (West Java, Indonesia) Sharp Corporation of Australia Pty. Ltd. (New South Wales, Australia) Sharp Corporation of New Zealand Ltd. (Auckland, New Zealand) Sharp Middle East FZE (Dubai, U.A.E.)

Principal Shareholders

The principal shareholders of Sharp Corporation appearing on the register of shareholders as of March 31, 2001 are as follows:

	Ordinary Shares	
	Number held	Percentage
Nippon Life Insurance Company	54,930,384	4.88%
The Fuji Bank, Limited	53,329,469	4.73
The Daiwa Bank, Limited	44,976,068	3.99
The Sanwa Bank, Limited	44,520,114	3.95
The Yasuda Mutual Life Insurance Company	41,865,796	3.72
The Mitsubishi Trust and Banking Corporation	38,551,000	3.42
The Dai-ichi Mutual Life Insurance Company	38,123,796	3.38
Japan Trustee Services Bank, Ltd (Trust Account)	30,764,000	2.73
Sumitomo Life Insurance Company	30,664,000	2.72
Mitsui Marine and Fire Insurance Company, Limited	30,658,022	2.72
Total	408,382,649	36.25%

Share Distribution (As of March 31, 2001)

	Number of shareholders	Number of ordinary shares held	Percentage of total ordinary shares outstanding
Japanese financial institutions	354	693,447,612	61.55%
Japanese securities companies	96	7,025,779	0.62
Other Japanese corporations	1,288	49,663,106	4.41
Foreign shareholders	690	180,702,428	16.04
Japanese individual shareholders	91,642	195,813,709	17.38
Total	94,070	1,126,652,634	100.00%

Overseas Sales and Manufacturing Subsidiaries/Joint Concerns & Representatives Offices

U.S.A.	SHARP ELECTRONICS CORPORATION	Sharp Plaza, Mahwah, New Jersey 07430-2135, U.S.A. 5901 Bolsa Avenue, Huntington Beach, California 92647-2053, U.S.A. 1300 Naperville Drive, Romeoville, Illinois 60446-1091, U.S.A. 725 Old Norcross Road, Lawrenceville, Georgia 30245, U.S.A. 1025 Royal Lane, P.O. Box 619035, Dallas-Fort Worth Airport, 75261-9035 U.S.A. 200 Wheeler Road, Burlington, Massachusetts 01803-4408, U.S.A. 5825 Barclay Drive, Suite 3, Kingstowne, Virginia 22315-5713, U.S.A. 1980 Zanker road, San Jose, CA 95112-4216, U.S.A. 5700 Northwest Pacific Rim Boulevard, Camas, Washington 98607, U.S.A. 6100 Blue Lagoon Drive, Suite 230, Miami, Florida 33126, U.S.A.
	SHARP MANUFACTURING COMPANY OF AMERICA (A Manufacturing Division of Sharp Electronics Corporation)	Sharp Plaza Boulevard, Memphis, Tennessee 38193, U.S.A.
	SHARP LABORATORIES OF AMERICA, INC.	5750 Northwest Pacific Rim Boulevard, Camas, Washington 98607, U.S.A.
	SHARP ELECTRONICS MANUFACTURING COMPANY OF AMERICA, INC.	9295 Siempre Viva Road, Suite J-2, San Diego, CA 92173 U.S.A.
CANADA	SHARP ELECTRONICS OF CANADA LTD.	335 Britannia Road East, Mississauga, Ontario L4Z 1W9, Canada
MEXICO	SHARP ELECTRONICS CORPORATION Mexico Branch	Jose Antonio Torres No. 694, Col. Ampliacion Asturias 06890, Mexico D.F. Mexico
	SHARP ELECTRONICA MEXICO S.A. de C.V.	Bvd.Sharp No.3510, Parque Industrial Rosarito Playas de Rosarito, B.C. 22190 Mexico
GERMANY	SHARP ELECTRONICS (EUROPE) GMBH	Sonninstrasse 3, 20097 Hamburg, Germany
U.K.	SHARP ELECTRONICS (U.K.) LTD.	Sharp House, Thorp Road, Newton Heath, Manchester M40 5BE, U.K. Sherbourne House, The Croxley Centre, Watford, Hertfordshire WD1 8YE, U.K. 5 Vere Street, London, W1M 9HQ, U.K.
	SHARP MANUFACTURING COMPANY OF U.K. (A Manufacturing Division of Sharp Electronics (U.K.) Ltd.)	Sharp House, Llay, Wrexham, Clwyd, LL12 OPG, U.K.
	SHARP PRECISION MANUFACTURING (U.K.) LTD.	Forward House, Davy Way, Llay, Wrexham, Clwyd, LL12 OPG, U.K.
	SHARP LABORATORIES OF EUROPE, LTD.	Edmund Halley Road, Oxford Science Park, Oxford OX4 4GA, U.K.
	SHARP INTERNATIONAL FINANCE (U.K.) PLC.	Sherbourne House, The Croxley Centre, Watford, Hertfordshire WD1 8YE, U.K.
	SHARP TELECOMMUNICATIONS OF EUROPE	Azure House, Bagshot Road, Barcknell, Berks RG12 7QY, U.K.
SPAIN	SHARP ELECTRONICA ESPAÑA S.A.	Poligono Can Sant Joan, Parcela No.8, 08190 Sant Cugat del Vallés, (Barcelona) Spain
SWITZERLAND	SHARP ELECTRONICS (SCHWEIZ) AG	Langwiesenstrasse 7, Postfach 8108 Dallikon, Switzerland
SWEDEN	SHARP ELECTRONICS (NORDIC) AB	Box 14098, Gustavslundsvägen 12, SE-167 14 Bromma, Sweden
DENMARK	SHARP ELECTRONICS (NORDIC) Denmark Representative Office	Energivej 15 DK-2750, Bellerup, Denmark
NORWAY	SHARP ELECTRONICS (NORDIC) Norway Representative Office	Postboks 151-Alnabru, No-0614, Oslo, Norway
AUSTRIA	SHARP ELECTRONICS GES. M.B.H.	Handelskai 342, Postfach 36, 1023 Wien, Austria
POLAND	SHARP ELECTRONICS GES. M.B.H. Austrian Representative Office	Ul. Plawska 469 02-884, Warsaw, Poland
CZECH REPUBLIC	SHARP ELECTRONICS GES. M.B.H., Czech Representative Office	Budova Centrotexu Namesti Hrdinu 3 140 61 Praha 4, Czech Republic
FRANCE	SHARP ELECTRONICS FRANCE S.A.	22, Avenue des Nations, Paris Nord II, BP50094, 95948 Roissy Charles de Gaulle Cedex, France
	SHARP MANUFACTURING FRANCE S.A.	Route de Bollwiller, B.P.50 Soultz 68503 Guebwiller Cedex, France
ITALY	SHARP ELECTRONICS (ITALIA) S.p.A.	Via Lampedusa, 13 20141 Milano, Italy
NETHERLANDS	SHARP ELECTRONICS BENELUX B.V.	Meidoornkade 10, P.B. 900, 3990 DW Houten, The Netherlands
BELGIUM	Sharp Corporation Brussels Office	326, Avenue Louise Bte 50, 1050 Brussels, Belgium
	SHARP ELECTRONICS BENELUX B.V., BELGIAN BRANCH	T Hofveld 4, 1702 Groot-Bijgaarden, Belgium
RUSSIA	Sharp Corporation Moscow Representative Office	World Trade Center, Room 1704A Krasno presnenskaya Nab., 12 123610 Moscow, Russia
TAIWAN	SHARP CORPORATION (TAIWAN)	2F., 217, Sec 3, Nanking East Road, Taipei, 104, Taiwan
	SHARP ELECTRONICS (TAIWAN) CO., LTD.	No.1 North Nei-Huan East Road, Nantze Export Processing Zone, Kaohsiung, Taiwan
	SHARP ELECTRONIC COMPONENTS (TAIWAN) CORPORATION	8F., No.16, SEC 4 Nanking East Road, Taipei, Taiwan
	SHARP TECHNOLOGY (TAIWAN) CORPORATION	7F., No.16, SEC 4 Nanking East Road, Taipei, Taiwan
KOREA	SHARP KOREA CORPORATION	418, Chung Cheon-Dong, Bupyeong-ku, Incheon, Korea
	SHARP ELECTRONICS INC. OF KOREA	6F, Sharp Bldg. 661-10, Deungchon-Dong, Kangseo-Gu, Seoul, Korea

PHILIPPINES	SHARP (PHILS.) CORPORATION	KM 23, West Service Road, South Superhighway, Alabang, Muntinlupa, Metro Manila. Philippines
SINGAPORE	SHARP-ROXY SALES (SINGAPORE) PTE., LTD.	138 Robinson Road, Hong Leong Centre, #21-00, Singapore 068906
	SHARP ELECTRONICS (SINGAPORE) PTE., LTD.	438A Alexandra Road #05-01/02, Alexandra Technopark, Singapore 119967
MALAYSIA	SHARP-ROXY SALES & SERVICE COMPANY (M) SDN. BHD.	1A,Persiaran,Kuala Langat,Section 27,40400,Shah Alam,Selangor,Malaysia
	SHARP-ROXY APPLIANCES CORPORATION (M) SDN. BHD.	Lot 4 & 6, Jalan 225, Section 51-A, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia
	SHARP-ROXY CORPORATION (M) SDN. BHD.	Lot 202, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah, Malaysia
	SHARP-ROXY ELECTRONICS CORPORATION (M) SDN. BHD.	PLO-1 Kawasan Perindustrian, Sri Gading, 83009 Batu Pahat, Johor, Malaysia
	SHARP MANUFACTURING CORPORATION (M) SDN. BHD.	PLO-225 Kawasan Perindustrian, Sri Gading, 83009 Batu Pahat, Johor,Malaysia
	SHARP ELECTRONICS (MALAYSIA) SDN. BHD.	1A,Persiaran,Kuala Langat,Section 27,40400,Shah Alam,Selangor,Malaysia
	SHARP APPLIANCES (THAILAND) LTD.	64 Moo 5, Tambol Bang Samuk, Amphur Bang Pakong, Chachoengsao Province, Thailand
THAILAND	SHARP THEBNAKORN CO., LTD.	664 Siphaya Road, Bangkok 10500, Thailand
	SHARP THEBNAKORN MANUFACTURING(THAILAND) (A Manufacturing Division of Sharp Thebnakorn Co., Ltd.)	58 Moo 3, Tambol Sampatuan, Amphur Nakornchaisri, Nakornpathom Province, 24130, Thailand
INDIA	KALYANI SHARP INDIA LIMITED	Gat No. 686/4, Koregaon Bhima Tal. Shirur, Dist. Pune, Pin 412207 Maharashtra, India
	SHARP SOFTWARE DEVELOPMENT INDIA PVT. LTD.	International Tech Park, Bangalore City, Karnataka, India
	SHARP BUSINESS SYSTEMS (INDIA) PRIVATE LIMITED.	214-221 Ansal Tower, 38, Nehru Place, New Delhi 110 019, India
CHINA	SHANGHAI SHARP ELECTRONICS CO., LTD.	1111 Jinhai Road,Jinqiao Export Processing Zone Pudong New Area,Shanghai City, 201206, P. R. China
	SHARP OFFICE EQUIPMENTS (CHANGSHU) CO.,LTD.	Huanghe Road, Yanjiang Economic Development Zone, Changshu City, Jiangsu Province, 215500, P.R. China
	WUXI SHARP ELECTRONIC COMPONENTS CO.,LTD.	Wuxi National High & New Tech Industrial Development Zone No. 54 Area, 8 Wangzhuang Road, Wuxi City, Jiangsu Province, 214028, P.R. China
	NANJING SHARP ELECTRONICS CO., LTD.	No.318 Yaixin Rd., Nanjing Economic&Technical Development Zone, Nanjing City, Jiangsu Province, 210038, P.R. China
	SHANGHAI SHARP MOLD AND MANUFACTURING SYSTEMS CO., LTD.	1357 Jinhai Road, Pudong Xinqu, Shanghai City, 201206, P.R. China
	SHARP MICROELECTRONICS OF CHINA(SHANGHAI)CO., LTD.	Room No. 1602, New Jin Qiao Bldg., 28 New Jin Qiao Road, Pudong New District, 201206, Shanghai, P. R. China
	Beijing Office	Room 1072, Beijing Jing An Center, No. 8 Dong Lu Beisanhuan, Chaoyang District, Beijing City, 100028,P. R. China
	CORPORATE REPRESENTATIVE OFFICE– CHINA	Room No.1501, King Tower, 28 Xin Jin Quao Road, Pu Dong, Shanghai City, 201206, P. R. China
	Guangzhou Office	Room 1907, Dong Shan Plaza, 69 Xian Lie Road, Guangzhou City, 510095, P. R. China
	Chengdu Office	Room No.201,Gao Sheng Qiao Building No.2,West Section 3,Yihuan Road,Chengdu City, P. R. China
(HONG KONG)	SHARP-ROXY (HONG KONG) LTD.	1701-1711, Admiralty Centre, Tower 1, Harcourt Road, Hong Kong
	SHARP ELECTRONICS (MALAYSIA) SDN. BHD. HONG KONG BRANCH	Rm. 4521-25, Metro Plaza Tower 1, 223 Hing Fong Road, Kwai Fong, N.T., Hong Kong
	Hong Kong Representative Office	Rm. 1613-15, Tower 2, Grand Central Plaza, 138 Shatin Rural Committee Road, Shatin, N.T., Hong Kong
INDONESIA	P.T. SHARP YASONTA INDONESIA	Jl.Swadaya IV,Komp.Pedurenan Kel.Rawaterate,Pulogadung ,Jakarta Timur, Indonesia
	P.T. SHARP YASONTA ANTARNUSA	Jl.Swadaya IV,Komp.Pedurenan Kel.Rawaterate,Pulogadung ,Jakarta Timur, Indonesia
	P.T. SHARP SEMICONDUCTOR INDONESIA	Kawasan Industri Karawang International Industrial City, Lot F-3, Jalan Tol Jakarta-Cikampek KM. 47, Karawang, Jawa Barat, Indonesia
VIETNAM	Ho Chi Minh City Representative Office	P.D.D.Building, 5th Floor 162 Pasteur Street, District 1, Ho chi Minh City, Vietnam
AUSTRALIA	SHARP CORPORATION OF AUSTRALIA PTY. LTD.	1 Huntingwood Drive,Huntingwood,NSW 2148,Australia
		Unit 15B,390 Easternvalley Way,Chatswood NSW 2067,Australia
		Unit 3 Centre Court, 1 Pirie Street, Fyshwick, A.C.T. 2609, Australia
NEW ZEALAND	SHARP CORPORATION OF NEW ZEALAND LTD.	Cnr. Mahunga Drive & Hastie Avenue, Mangere Bridge, Auckland, New Zealand
U.A.E.	SHARP MIDDLE EAST FZE	P.O.Box 17115 Jebel Ali,Dubai,U.A.E.
TURKEY	SHARP CORPORATION ISTANBUL LIAISON OFFICE	Zeytinoglu Cad., Akatlar Kutur Merkezi, A Blok, D. 5 Kat.3, 80630 Akatlar-Istanbul, Turkey

As of June 2001

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< Japanese Stock Exchange Listings >

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

< Overseas Stock Exchange Listings >

Paris, Luxembourg, Swiss

< Transfer Agent (Business Handling Place) >

The Mizuho Trust & Banking Co., Ltd.
Osaka Branch Office of Transfer Agency Department
6-13, Kitahama 3-chome, Chuo-ku, Osaka 541-0041, Japan

SHARP